

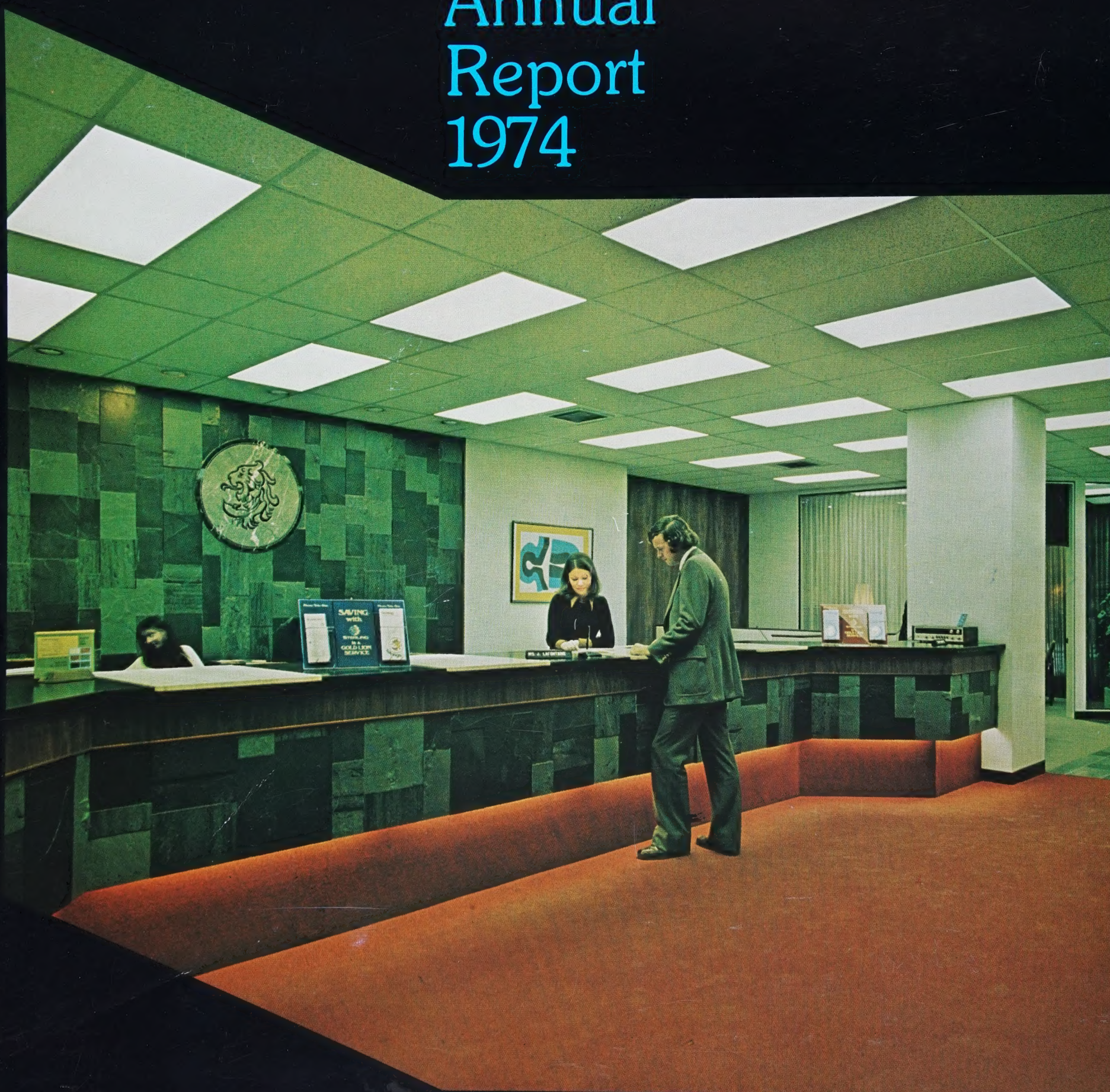
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STERLING
THE STERLING TRUSTS CORPORATION



Annual Report 1974



To Our Shareholders

On behalf of your Board of Directors it is my pleasant duty to submit to you the Annual Report of your Corporation. 1974 has been a difficult year in which to operate any business and financial companies have not escaped the impact of inflation and high interest rates. You will note on the statement under assets, income taxes recoverable \$307,940. With the increase in interest rates, bond prices have fallen considerably resulting in the recovery of taxes paid with a corresponding increase in deferred income tax.

The Mortgage Department, in spite of a slow down in construction, had an excellent year with volume of new business in 1974 exceeding \$29,000,000, resulting in the mortgage portfolio exceeding \$106,000,000 for the first time in the Corporation's history. You might be interested to know that mortgages in arrears totalled \$300,000 or 0.3% of our mortgage portfolio, reflecting the efficiency of the administration of the Mortgage Department.

The Corporation's Guaranteed Trust Certificates and Savings Deposits with historically high interest rates proved attractive to the public, increasing from \$93,000,000 to \$115,000,000, a growth of 24%. The increase in funds on deposit created pressures on our borrowing base which is a problem with many of the financial institutions. In May, Rights to purchase treasury shares were offered to shareholders and approximately 67% of such Rights were exercised, providing the Corporation with a short term solution to the problem pending changes to the Federal Trust Companies Act under which we operate.

Your Directors have approved of an application to the Minister of Finance to increase our borrowings from the existing twenty times capital and retained earnings formula, to twenty-five times, which you will note from the Information Circular will be submitted to shareholders for their consideration and approval at the Annual Shareholders Meeting.

The new branch at Newmarket, which opened in April, has been well accepted in the community and is ahead of budgeted volume at the year end.

As we have outgrown our premises in Barrie I am pleased to tell you we have successfully negotiated an option to acquire the adjoining property and plans to completely rebuild our branch are well under way to provide both customers and staff with excellent facilities.

The Orillia branch is also not only in need of renovation but also expansion and I am pleased to tell you that this is proceeding and hopefully will be completed in the very near future. A satellite branch in Orillia will open in the Fall, located in a new mall at present under construction on the northerly outskirts of Orillia. This will provide facilities for future development within the area.

We have also located a favourable site in Aurora which we believe is an ideal link in the chain of branches already developed north of Toronto.

With a greater number of branches, and greatly increased volume of business we now have an Internal Audit Department. I am pleased to tell you that all branches have had in-depth internal audits and any recommendations, after review by Management, have been implemented.

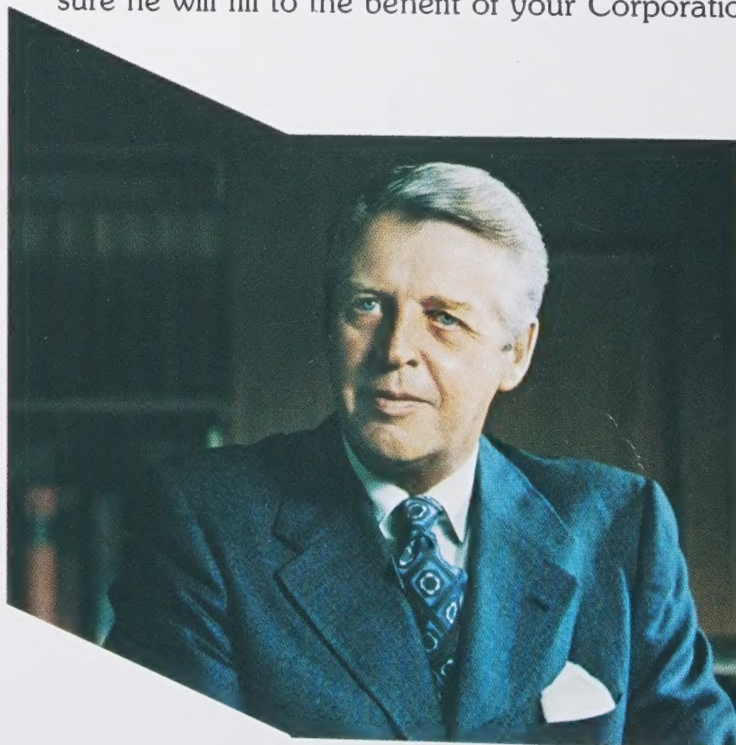
The Estates, Trusts and Agency section enjoyed a successful year with a constantly expanding volume of business. Accounting in this department is being mechanized to provide fast and accurate statements to clients.

A Mortgage Fund has been submitted to regulatory bodies for approval. In addition, as you will see from the Information Circular the Directors have, subject to approval by regulatory bodies, agreed to the purchase of Northridge Investments Limited, the Manager of an Equity Mutual Fund. This will provide the Corporation with a well balanced package from which to tailor any client's individual investment package.

The greatly increased volume of business and numbers of branches of necessity added to staff numbers and increased management problems. These problems will be additionally aggravated in the not too distant future when three senior officers, namely Mr. T. G. Taylor, Managing Director of the Corporation, Mr. F. C. Beveridge, Secretary and Manager of the Transfer Department, and myself reach the age of retirement within three years. In order to plan for continued efficiency in the future, a realignment of management responsibilities was undertaken; Mr. F. R. Hewett was appointed Vice-President—Finance and Treasurer, Mr. C. F. Petersen was appointed Vice-President Operations, Mr. D. W. Jones the Assistant General Manager was assigned specific and very important responsibilities for the Personal and Corporate Trusts departments of your Corporation and Mr. J. A. Shute, Supervisor of Branches and Personnel Manager.

Inflation in addition to expanded staff has contributed considerably to the greatly increased cost of operating the Corporation. It must be borne in mind however that in a service business such as ours competent staff is the key ingredient and I would be remiss if I did not on your behalf express our appreciation for their efforts.

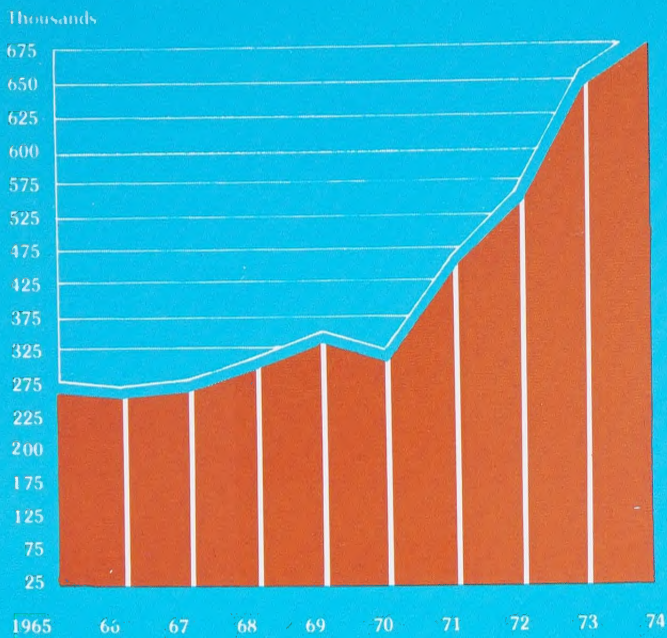
In conclusion I would like to acknowledge the contribution made by the Board of Directors. They have with great dedication provided wise counsel and deliberations and are a constant factor in planning the future of the Corporation. During this past year, I accepted with regret the resignation of Mr. Robert Bigelow, Q.C., who for many years has served the Corporation with sage counsel. I am pleased to welcome Mr. A. D. Russel to the seat thus vacated, a position I am sure he will fill to the benefit of your Corporation.



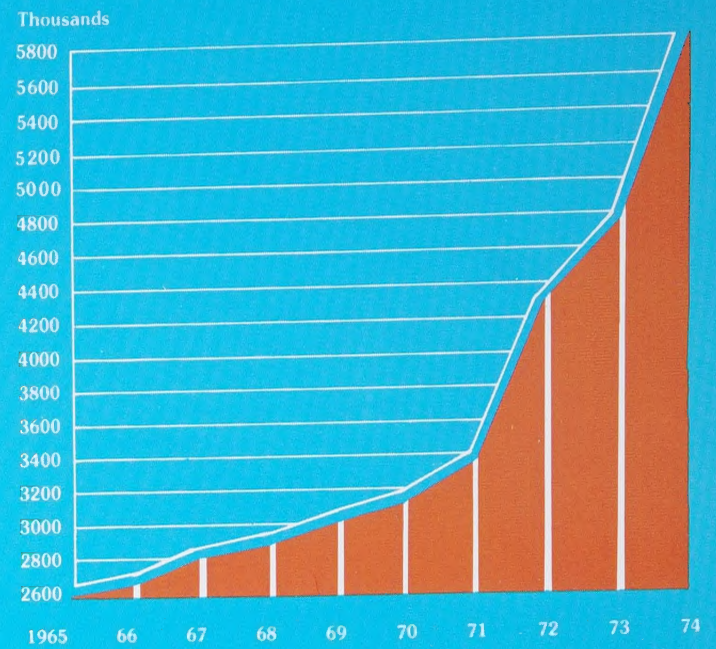
N. F. Petersen,
President

RECORD OF PAST TEN YEARS

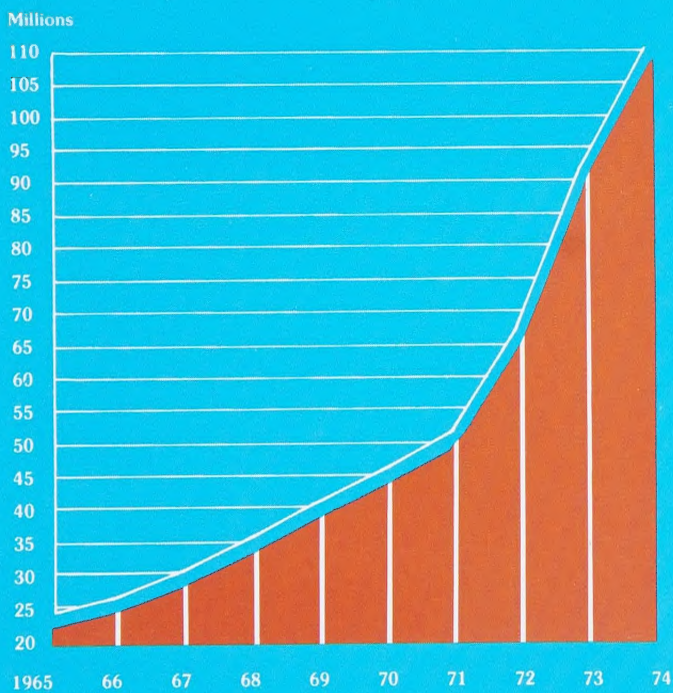
NET PROFIT AFTER TAXES



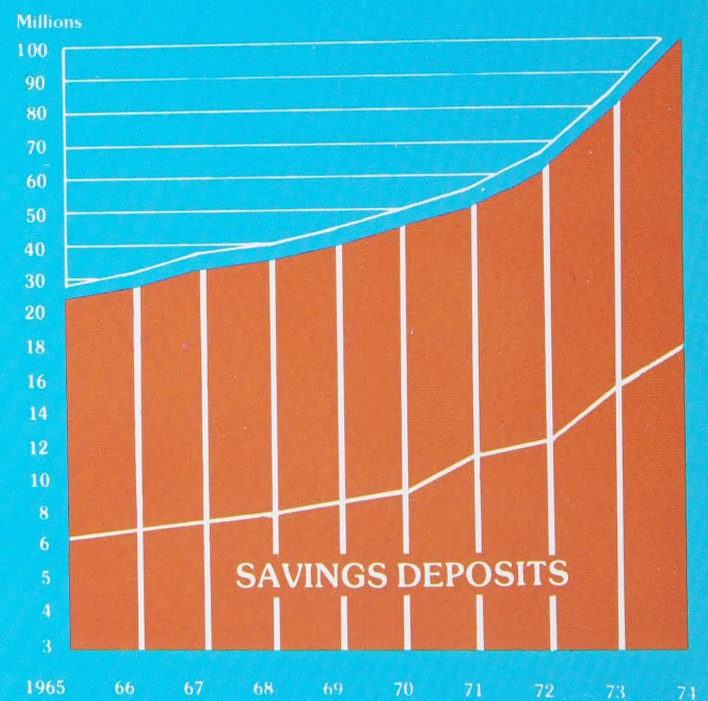
CAPITAL AND RESERVES



MORTGAGES



GUARANTEED TRUST CERTIFICATES



SAVINGS DEPOSITS

WHERE STERLING TRUSTS' REVENUE CAME FROM

82.24% Revenue from Investments Less: Interest on deposits

14.82% Fees and Commissions

2.94% Other Sources



WHERE STERLING TRUSTS' REVENUE WENT

33.60% Salaries and Staff Benefits

26.50% Operating Expenses

16.61% Income Taxes

9.91% Dividends

13.38% Retained Earnings



Head Office

Toronto, Ontario, 372 Bay Street
V.A. G. Penderell, Manager

Branches

Barrie, Ontario, 35 Dunlop Street E.
R.A. Furzecott, Manager

Bracebridge, Ontario, Riverside
Centre
B.J. Norman, Manager

Newmarket, Ontario, 721 Davis Dr.
B.B. Mulholland, Manager

Orillia, Ontario, 73 Mississaga St.E.
B.M. Hewitt, Manager

Toronto, Ontario, 347 Bay Street
J.C.K. van den Heuvel, Manager

Directors

President

*Niels F. Petersen Toronto, Ont.

Vice-Presidents

*Horace T. Burgess Toronto, Ont.

*H. Donald Langdon, Q.C. Toronto, Ont.

*F. Robert Hewett Toronto, Ont.

Charles F. Petersen Toronto, Ont.

*S. Bruce Adams, F.C.A. Toronto, Ont.

Norman H. Bell Toronto, Ont.

Peter O. Crassweller, M.D., F.R.C.S.(C),
F.A.C.S. Toronto, Ont.

*Robert I. Hendy, Q.C. Toronto, Ont.

Archibald D. Russel Toronto, Ont.

Charles J. Seagram, Q.C. Barrie, Ont.

*T. Gordon Taylor Toronto, Ont.

Arthur W. White Toronto, Ont.

J. Alex Wilson, B.A. Sc., P. Eng. Orillia, Ont.

* Members of the Executive Committee

Auditors

Messrs. Peat, Marwick, Mitchell & Co.

Incorporated in nineteen hundred and eleven
Member of Canada Deposit Insurance Corporation

Officers

Niels F. Petersen President
Horace T. Burgess Vice-President
F. Robert Hewett Vice-President
H. Donald Langdon, Q.C. Vice-President
Charles F. Petersen Vice-President
T. Gordon Taylor Managing Director
Dennis W. Jones, F.C.I.S. Assistant General Manager
Fred C. Beveridge Secretary and Transfer Officer
Victor A.G. Penderell Controller



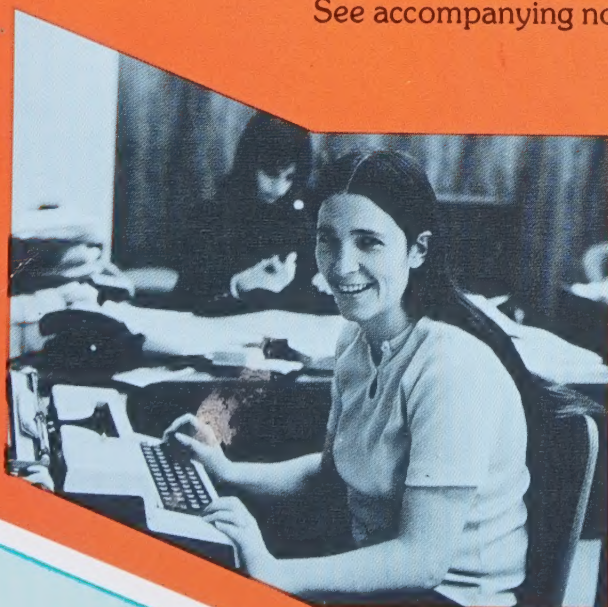
THE STERLING TRUSTS CORPORATION

STATEMENT OF EARNINGS

For the year ended December 31, 1974
with comparative figures for 1973

	1974	1973
Revenue:		
Income from mortgages and other loans	\$9,814,293	\$7,192,056
Income from securities	649,851	579,163
Fees and commissions	427,901	322,357
Other operating revenue	84,936	57,711
Total revenue	<u>10,976,981</u>	<u>8,151,287</u>
Expenses:		
Interest on guaranteed trust account	8,129,261	5,805,510
Salaries and staff benefits	970,417	652,041
Premises, including depreciation \$12,513 (1973—\$13,578)	253,299	209,496
Other operating expenses	512,162	424,885
Total expenses	<u>9,865,139</u>	<u>7,091,932</u>
Operating income before income taxes	1,111,842	1,059,355
Income taxes—current	(33,100)	316,100
—deferred	512,700	159,400
	<u>479,600</u>	<u>475,500</u>
Net operating income	632,242	583,855
Gain on sale of securities less related income taxes \$7,900 (1973—\$10,100)	40,320	56,802
Net earnings for the year transferred to retained earnings	<u>\$ 672,562</u>	<u>\$ 640,657</u>
Earnings per share (note 4):		
Net operating income	\$ 0.90	\$ 0.90
Gain on sale of securities06	.09
Net earnings for year	<u>\$ 0.96</u>	<u>\$ 0.99</u>

See accompanying notes to financial statements



THE STERLING TRUSTS CORPORATION
BALANCE SHEET
December 31, 1974
with comparative figures for 1973

Assets	1974	1973
Cash and bank deposit receipts	\$ 3,702,068	\$ 1,325,361
Income taxes recoverable	307,940	—
Securities (note 1):		
Bonds and debentures	7,717,298	6,976,833
Stocks	3,471,383	2,622,144
Total securities	<u>11,188,681</u>	<u>9,598,977</u>
Loans:		
Mortgages	106,738,464	86,906,815
Loans on securities	969,923	816,575
Personal loans	72,826	38,178
Advances to estates, trusts and agencies	1,250	659
Total loans	<u>107,782,463</u>	<u>87,762,227</u>
Office premises and equipment, at cost less accumulated depreciation \$224,845 (1973—\$212,332)	170,756	182,840
	<u>\$123,151,908</u>	<u>\$98,869,405</u>

See accompanying notes to financial statements

We certify that to the best of our knowledge and belief the above is a true and correct statement of the assets, liabilities and capital of the Corporation as at the end of the year and clearly the financial condition of the Corporation as at the end of the year.

N.F. PETERSEN
H.T. BURGESS
T.G. TAYLOR, M.A.

**NOTES TO
FINANCIAL
STATEMENTS**

1. Securities

Securities issued by the Governments of Canada and the Provinces are stated at amortized cost; other securities are stated at cost:

	1974		1973	
	Cost	Market	Cost	Market
Bonds—Government of Canada	\$ 4,109,139	\$4,029,107	\$3,342,293	\$3,185,530
Provinces of Canada	1,293,962	1,083,668	1,290,763	1,101,975
Municipalities	1,079,946	963,894	1,243,139	1,141,823
Other	1,234,251	1,036,157	1,100,638	968,816
	<u>7,717,298</u>	<u>7,112,826</u>	<u>6,976,833</u>	<u>6,398,144</u>
Stocks	3,471,383	2,810,860	2,622,144	2,534,371
	<u>\$11,188,681</u>	<u>\$9,923,686</u>	<u>\$9,598,977</u>	<u>\$8,932,515</u>

2. Capital Stock

(a) During 1974, shares of the Corporation's capital stock were issued for cash as follows:

	Number of Shares	Issue Price	Credited to Capital Stock	Contributed Surplus
On exercise of rights granted to shareholders to purchase 1 share for each 5 shares held	86,327	\$9.00	\$172,654	\$604,289
On exercise of options under employee stock option plan	2,190	7.65	4,380	12,374
	<u>88,517</u>		<u>\$177,034</u>	<u>\$616,663</u>

Liabilities and Shareholders' Equity	1974	1973
Guaranteed trust account:		
Savings deposits	\$ 17,677,795	\$15,679,709
Guaranteed trust certificates	98,281,527	77,685,925
Total guaranteed trust account	<u>115,959,322</u>	<u>93,365,634</u>
Accounts payable	90,409	86,597
Dividend payable	73,709	64,857
Income taxes payable	—	26,990
Deferred income taxes	1,168,200	642,400
Shareholders' equity:		
Capital stock (note 2):		
Authorized 1,000,000 shares of \$2 each par value. Issued and fully paid 737,086 shares (1973—648,569)	1,474,172	1,297,138
Contributed surplus—premium on issue of shares (note 2)	1,031,284	417,337
General reserve	3,000,000	2,700,000
Retained earnings	354,812	268,452
Total shareholders' equity	<u>5,860,268</u>	<u>4,682,927</u>
	<u>\$123,151,908</u>	<u>\$98,869,405</u>

believe the foregoing balance sheet is correct and shows the financial condition of the Corporation's affairs.

W. J. EN, President
J. S. , Vice-President
Managing Director

(b) At December 31, 1974, options were outstanding under a stock option plan for employees to purchase 4,380 shares at \$7.65 per share exercisable to the extent of 2,190 shares during the period of the first to the fifteenth of January in each of the years 1975 and 1976 inclusive.

3. Directors' and Officers' Remuneration

The aggregate direct remuneration paid or payable by the Corporation to directors and senior officers during the year was \$146,433 (1973—\$114,911).

4. Earnings Per Share

Earnings per share are based on the weighted average of shares outstanding during the period. The exercise of options outstanding would not materially dilute earnings per share.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of The Sterling Trusts Corporation as at December 31, 1974 and the statements of earnings, contributed surplus, general reserve and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1974 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceeding year.

Toronto, Ontario
January 15, 1975

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

THE STERLING TRUSTS CORPORATION
STATEMENTS OF CONTRIBUTED SURPLUS,
GENERAL RESERVE & RETAINED EARNINGS

For the year ended December 31, 1974
with comparative figures for 1973

Contributed Surplus

	1974	1973
Balance at beginning of year	\$ 417,337	\$ 404,964
Proceeds in excess of par value of capital stock issued during year (note 2)	616,663	12,373
Less expenses of issue	<u>(2,716)</u>	<u>—</u>
Balance at end of year	<u>\$1,031,284</u>	<u>\$ 417,337</u>

General Reserve

Balance at beginning of year	\$2,700,000	\$2,400,000
Add transfer from retained earnings	<u>300,000</u>	<u>300,000</u>
Balance at end of year	<u>\$3,000,000</u>	<u>\$2,700,000</u>

Retained Earnings

Balance at beginning of year	\$ 268,452	\$ 187,223
Add transfer from net earnings for the year	<u>672,562</u>	<u>640,657</u>
	<u>941,014</u>	<u>827,880</u>

Deduct:

Transfer to general reserve	300,000	300,000
Dividends	<u>286,202</u>	<u>259,428</u>
	<u>586,202</u>	<u>559,428</u>
Balance at end of year	<u>\$ 354,812</u>	<u>\$ 268,452</u>

See accompanying notes to financial statements

